

One of the acts of the special session of Congress in the summer of 1861 authorized loans in several forms, including* non-interest bearing notes of denominations less than \$50, payable on demand by the assistant treasurers at New York, Boston, and Philadelphia. These notes were not made legal tender and Secretary Chase, in recommending them, declared that "The greatest care will, however, be requisite to prevent the degradation of such issues into an irredeemable paper currency, than which no more certainly fatal expedient for impoverishing the masses and discrediting the government of any country can well be devised." Notwithstanding this brave language, the Treasury began to issue the new notes early in August. They were very reluctantly accepted as currency and the banks refused to receive them except as special deposits. The new notes threatened to bring infinite disorder into the currency system by the element of inflation which they involved. The banks filed a prompt protest against thus trifling with the circulating medium while they were straining their resources to withdraw capital from active industry and divert it to the uses, of the government. The Secretary intimated that he would suspend the issue of such notes until other resources were exhausted, but that he did not regard it as proper to pledge himself openly not to exercise a power conferred by law.

This was before the advances by the banks had begun, and upon this assurance they began to pay coin into the sub-treasury at the rate of about \$5,000,000 at intervals of six days. The attempt to secure popular subscriptions for the seven-thirty notes through the agents of the government resulted in subscriptions of only \$24,678,866, and the banks themselves came forward and took the notes and agreed to negotiate their distribution among the people. So perfect was the public confidence in the associated banks and so rapid the circulation of the money that the specie in the banks had not been materially reduced after the payment of the second instalment. The gold paid by the banks into the sub-treasury was disbursed by public officers and through the channels of circulation found its way back into-